

**UNEMPLOYMENT IN THE OCCUPIED  
PALESTINIAN TERRITORIES & THE  
REQUIRED EMPLOYMENT POLICIES**

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# **UNEMPLOYMENT IN THE OCCUPIED PALESTINIAN TERRITORIES AND THE REQUIRED EMPLOYMENT POLICIES**

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## Abstract

The paper tackles the plight of unemployment facing the Occupied Palestinian Territories (OPT) as well as its different forms and causes. The paper also investigates the characteristics of the jobless and the relationship between unemployment and poverty and the unequal distribution in income. But the main goal of this study is to set or specify employment policy to be adopted to check or limit the problem of unemployment in the OPT. The major cause of unemployment is attributed to the weak absorption capacity of the Palestinian economy. This being the result of the total destruction of infrastructure in OPT in the last 28 years at the hands of Israeli occupation authorities that has prevented the development of an independent Palestinian economy rendering it dependent on the Israeli economy. The paper, therefore, concludes that any employment policy in the OPT must focus on the demand side by raising the absorption capacity of the Palestinian economy through a process of construction and reconstruction as well as by encouraging the private sector to invest in projects that require intensive labour employment. Employment policy must also reconsider the present education policy to achieve a balance between the outcomes of the educational system and the needs of the local job market. In the short term, there is a need to implement the public works program and to set up unemployment and social development funds to alleviate the severity of unemployment.

## ملخص

تبحث هذه الورقة مشكلة البطالة التي تواجه الاراضى الفلسطينية المحتلة؛ وأشكالها المختلفة وأسبابها وأهم خصائص العاطلين عن العمل والعلاقة بين البطالة والفقر والتفاوت في توزيع الدخل. ويتمثل الهدف الرئيسى للورقة في تحديد سياسة الواجب اتباعها للحد من مشكلة البطالة في الاراضى المحتلة. وترى الورقة أن السبب الرئيسى للبطالة يكمن في ضعف القدرة الاستيعابية للاقتصاد الفلسطينى الناتجة عن تدمير البنى الهيكلية له من قبل الاحتلال الاسرائيلى على مدى ٢٨ عاما؛ حيث هدف الى منع تطور اقتصاد فلسطينى مستقل والى الحاق الاقتصاد الفلسطينى بالاقتصاد الاسرائيلى. لذلك؛ فان سياسة التشغيل في الاراضى الفلسطينية المحتلة يجب ان تستند على جانب الطلب؛ اى العمل على رفع القدرة الاستيعابية للاقتصاد الفلسطينى من خلال عملية اعادة البناء والاعمار؛ ومن خلال تشجيع القطاع الخاص على الاستثمار فى المشاريع ذات الاستخدام الكثيف للعمالة. كما يجب على سياسة التشغيل أن تعمل على اعادة النظر فى سياسة التعليم الحالية لتحقيق التوازن بين مخرجات النظام التعليمى واحتياجات سوق العمل المحلى. وفى المدى القصير فإنه يجب تنفيذ برنامج التشغيل العامة وانشاء صناديق اعانة البطالة والتنمية الاجتماعية للتخفيف من حدة البطالة.

## INTRODUCTION

Unemployment is the number one problem facing the Occupied Palestinian Territories (OPT) and the National Palestinian Authority. Though most countries now have unemployment problems regardless of the degree of progress that they have achieved or the economic, social and political systems that they have adopted, in the OPT the problem has been chronic because of the policies pursued by Israeli occupation authorities. Since 1967 Israeli policy has aimed at destroying the Palestinian economy's infrastructure, forestalling the development of a capable independent economy and tying it to the Israeli economy.<sup>1</sup> As a result of this policy, the Palestinian economy cannot create work opportunities for the present labor force and the growing number of new entrants into the labor market, who are predominantly young in view of the composition of the local population. The Palestinian economy has thus come to depend on other labor markets -- especially the Israeli market -- for employment. About 40 percent of the Palestinian labor force is employed in the Israeli market. The labor markets of oil-rich Arab states -- which had long absorbed thousands of Palestinian workers -- are now closed, thus further aggravating the unemployment problem in the OPT.

The present paper is aimed at identifying the unemployment problem in the OPT, with special emphasis on its causes and types as well as the characteristics of the unemployed. It is also aimed at examining the relationship between unemployment and poverty as well as income inequalities in the OPT. The paper is also designed to consider means and ways of coping with the unemployment problem in the OPT and to attempt to formulate an employment policy to solve -- or at least lessen -- the problem.

## PALESTINIAN LABOR SUPPLY

Labor supply in the OPT is governed by several factors, notably the size, composition, participation rate and external migration of the local population. The quality of the labor supply is determined by the standard of education, professional and technical skills, and health conditions in the OPT.

One of the main demographic features of the OPT is the high natural population growth rate due to high fertility and birth rates and low mortality rates. The natural population growth rate rose during the period 1968-1992 from 2.2 percent to 4.2 percent. In Gaza it rose from 2.2 percent to 5.1 percent during the same period.<sup>1</sup> The crude birth rate in the West Bank ranged from 40.6/1,000 to 47.3/1,000. In Gaza it was higher, as it ranged from 42/1,000 to 56.1/1,000 during the same period.<sup>2</sup> The general fertility rate in the West Bank during the period 1977-1987 was 200-177.3 births for every one thousand women aged 15-49. The total fertility rate in the West Bank ranged from 7.64 to 6.39 between 1968 and 1987.<sup>3</sup> Meanwhile, the mortality rate in the OPT dropped from 20 deaths/1,000 at the end of the 1960s to five deaths/1,000 at the beginning of the 1990s.<sup>4</sup>

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<sup>1</sup> CBS, Statistical Abstract of Israel 1993, p. 758.

<sup>2</sup> World Bank, Developing the Occupied Territories, An Investment in Peace, Volume 6, Human Resources and Social Policy, Washington, D.C., September 1993, p. 9.

<sup>3</sup> Hussein Ahmed, Awamal Nomo Al Sokan Fi Aldefah al Gharbeya, Majalat Al Najah Lelabhath, Vol. 2 No. 6, Nablus 1992 p. 248.

<sup>4</sup> World Bank op. cit., p. 8

The rise in the fertility rate and the decline in the mortality rate led to an increase in the number of persons under the age of 15. Accordingly, the dependency ratio rose in comparison with communities where fertility and mortality rates are low. All these factors will lead to a steady growth in the Palestinian labor supply over the next two decades whether the present fertility rate drops or not. The reason is that all entrants into the labor market over the coming 15 years have already been born. In other words, the Palestinian labor supply in the future has already been determined by present fertility rates.

However, it should be noted that while there is a high natural population growth rate and consequently a steady increase in the manpower supply, the high external migration rate seems to be working in the opposite direction by leading to a drop in the size of the population and manpower in the OPT. Considering the natural population growth in the OPT -- excluding Arab Jerusalem -- the population should have doubled over the past 25 years, that is, over the 1968-1992 period. Considering the average natural population growth rate in the West Bank (3.2 percent) during the same period, the population was expected to reach 1,282,820 by the year 1992. Taking into account the average natural population growth rate in Gaza -- 3.8 percent -- the population ought to have reached 906,272 during the same period. However, this did not happen. The population size in the West Bank dropped in 1992 by about 276,620, and in Gaza by 230,300. The difference reflects the size of external migration from the West Bank and the Gaza Strip during the 1968-1992 period.<sup>5</sup>

These trends have been caused by poor economic and living conditions stemming from Israel's occupation policy, which destroyed the Palestinian economy's infrastructure, restricted labor absorption in the OPT, and tied the local economy to that of Israel. In a study on external migration from the West Bank and Gaza Strip, it was found that it was predominantly labor migration. According to the study, 65.5 percent of the migrants were between the ages of 21 and 35, while 26.6 percent were between 36 and 50 years of age.<sup>6</sup>

As for the participation rates in the OPT, they are low by any standards and in comparison with those of developing, Arab or developed countries. Low participation rates and high external migration rates worked in the same direction, as both reduced the Palestinian labor force supply in the OPT. In 1992 the crude participation rate -- that is, the number of employed and unemployed workers in the total population in the OPT -- was about 18.9 percent.<sup>7</sup> In comparison, the crude participation rate reached 39 percent in Israel, 24 percent in Syria, 27 percent in Egypt, 27 percent in Iran, 29 percent in Bangladesh, and 49 percent in the USA.<sup>8</sup>

The low crude participation rate in the OPT is mainly due to the young age of most of the population, as mentioned above. Another reason is the low female participation rate. In the West Bank, the crude female participation ranged from 8.3 percent to 14.1 percent during the 1968-1989 period. In the Gaza Strip during the same period, it ranged from 4.3 percent to 6.4

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<sup>5</sup> Abdelfattah Abu-Shokor, Human Resources in the OPT, Paper presented on the Symposium on the Middle East Economics in a prospect of peace, Strasbourg, June 29-30th, 1994, p. 3

<sup>6</sup> Abdelfattah Abu-Shokor, *Al Hijrah al Kharejeya Men al Defah Al Gharbeya wa Qettaa Gaza wa Atharoh al Iqtisadeya wa al Ijtemayeaa*, al Multaqa al Fekry al Arabi, Jerusalem 1990, p. 8.

<sup>7</sup> Abu-Shokor, Human Resources in the OPT, op., cit., p. 6

<sup>8</sup> World Bank, op. cit., p. 12.

percent.<sup>9</sup> Social factors, poor economic conditions and wide-scale unemployment have combined to reduce women's labor participation rate in the OPT.

All of these demographic factors have greatly affected the Palestinian labor supply, which amounted to 333,400 persons in the OPT in 1992. In that same year the working-age population (15 years and over) had reached 857,800 people. This means that only 38.9 percent of the population capable of work in 1992 were either employed or searching for work. The growth rate of the Palestinian labor force supply shows great fluctuations in view of the above-mentioned demographic factors. In periods of low external migration the growth rate was high. During the periods 1981-1985 and 1986-1990 the growth rates of the labor supply in the West Bank exceeded three percent.<sup>10</sup> At times of high migration rates, however, labor supply growth rates dropped substantially. During the periods 1970-75 and 1975-80 external migration rates in the West Bank were high. Correspondingly, the labor supply growth rate dropped to 2.6 percent and 1.2 percent, respectively. In the Gaza Strip the labor supply growth rate reached 0.9 percent in 1976-85.<sup>11</sup>

## DEMAND FOR PALESTINIAN LABOR

In the present study the identification of the volume of demand for Palestinian labor aims at comparing it with the Palestinian labor supply and then determining the size of the unemployment rate. For this purpose the study will be confined to the volume of demand for Palestinian labor in the labor market in which they are working without tackling the demand for Palestinian labor in the economic sectors of the various labor markets where they are employed.

It is common knowledge that the demand for Palestinian labor before the 1967 Israeli occupation was mainly in the domestic market and in Arab labor markets, especially the oil-rich states in general and Kuwait in particular. However, after the Israeli occupation of the West Bank and Gaza Strip in 1967 there emerged a demand for Palestinian labor in the Israeli market itself. Available statistics on the volume of demand for Palestinian labor indicate that in 1992 it reached 319,300 workers, 63.8 percent of whom -- 203,700 -- worked in the West Bank and Gaza, while the remaining 115,600 workers -- representing 36.2 percent of the total -- were employed in the Israeli labor market.<sup>12</sup> An analysis of the situation in the West Bank and Gaza Strip shows that the domestic market in the West Bank absorbed a higher percentage of local workers -- 64.6 percent -- than its counterpart in Gaza, which had an absorption rate of 62.4 percent.<sup>13</sup> One of the most outstanding features of demand for Palestinian labor is that unlike the case in many neighboring countries, the private sector absorbs a high percentage of the labor force. In 1992 the public sector absorbed only 11.3

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<sup>9</sup> Abdelfattah Abu-Shokor, *Al Ard Men al Qowa al Amela al Felestinia wal Talab Alayha Haderan wa Mustaqballan*. The proceedings of the Seminar on Manpower in the Occupied Palestinian Territories, Jerusalem, 3-4 Feb. 1994, The Arab Economists' Society, Al Najah National University and the ILO, Jerusalem p. 28. Vide: Geir Ovensen, *Employment and Under-Utilization of Labour*, FAFO report 151 1993, p. 185.

<sup>10</sup> Abdelfattah Abu-Shokor *Awdaa al Tashgheel fi al Aradi al Felestiniya al Mohtallah wal Barameg al Iqestadeya al Moqtaraha*, the Arab Labour Organization, Cairo, 1994, p. 4.

<sup>11</sup> *Ibid* p.4.

<sup>12</sup> CBS, *Statistical Abstract of Israel 1993*, op. cit., p. 781

<sup>13</sup> Abu-Shokor, *al Ard Men al Qowa al Amela al Felestinia, wa Talab Alayha*, op. cit., p. 43.

percent of the labor force in the West Bank and 9.7 percent in the Gaza Strip.<sup>14</sup> By contrast, the public sector in Jordan absorbed 47 percent of the Jordanian labor force.<sup>15</sup>

As for the volume of demand for Palestinian labor in the Israeli market, there was a steady rise from 1970 up to 1992 followed by a sharp decrease. In 1970 the Israeli labor market absorbed 11.1 percent of the Palestinian labor force. It gradually rose to 38.8 percent in 1988, then dropped to 34 percent in 1991, and increased again to 36.2 percent in 1992.<sup>16</sup> However, it has been dropping sharply since 1993, reaching zero at times due to the repeated closure and siege of the OPT. The number of Palestinian workers allowed to work in the Israeli labor market in 1994 was estimated at 25,000, that is, about eight percent of the Palestinian labor force in the West Bank and Gaza Strip. The fluctuations and sharp decline in the demand for Palestinian labor in the Israeli labor market had a great impact on the level of unemployment in the OPT.

It should be noted that the volume of demand for Palestinian labor in external labor markets -- especially in the oil-rich states -- declined sharply after the 1990/91 Gulf War, which led to the expulsion of tens of thousands of Palestinian workers and denial of access to these markets ever since. As a result, labor return became a phenomenon that further aggravated the unemployment problem in the OPT. In this respect, reference must be made to the poor link between the national product growth rate in the OPT and the internal employment growth rate in the territories, as illustrated by the following table:<sup>17</sup>

	1972-75	1976-1980	1981-87	1988-90
<i>National Product</i>				
<i>Growth Rate</i>				
West Bank	20 %	3.8 %	8.1 %	- 9 %
Gaza Strip	18.3 %	4.4 %	6.6 %	- 16 %
<i>Internal employment</i>				
<i>growth rate</i>				
West Bank	1.9 %	0.4 %	4 %	0.6 %
Gaza Strip	4.4 %	2.2 %	3.1 %	- 0.4 %

The weak relation is not due to capital-intensive production in the OPT, but rather to the fact that economic growth generally depended on growth in the construction and services sectors, particularly tourism and transport. The overall demand, especially its consumption aspect, depended to a great extent on remittances by Palestinians working abroad and on foreign and Arab aid. As the OPT depend on Israel for obtaining the production inputs for the construction sector and its domestic consumption needs, the aforementioned economic growth rates did not have a multiplier effect on other economic sectors. Thus, employment

<sup>14</sup> CBS, Statistical Abstract of Israel 1993, op. cit., p. 780

<sup>15</sup> Christopher A. Pissarides, Labor Market in the Middle East and North Africa. Discussion paper series, World Bank (Middle East and North Africa), No. 5 - February 1993, p. 3.

<sup>16</sup> CBS, Statistical Abstract of Israel, various volumes.

<sup>17</sup> UNCTAD, Prospects for sustained Development of the Palestinian Economy in the West Bank & Gaza Strip, 1990-2010: A Quantitative Framework, Geneva, November 1994, p. 18.

growth rates remained weak in these sectors. They even remained unchanged in some sectors, as in the case of industry.

## THE UNEMPLOYMENT LEVEL IN THE OPT

Theoretically, the difference between the problems of labor force supply and demand in terms of wage levels and prevailing work conditions denotes the level of unemployment in a given country. However, the question arises as to whether this concept of unemployment is enough to produce an accurate picture of the level of unemployment in the OPT. The answer is definitely negative, because such a concept is confined to one type of unemployment, namely open unemployment -- that is, the working-age population that is not working and is actively seeking employment. It does not take into consideration other types of unemployment, such as labor underutilization, disguised unemployment and discouraged workers, all of which are prevalent in the OPT. It is no surprise that the Israeli statistics on unemployment in the OPT are confined to this narrow concept. The published figures on the unemployment rate in the OPT range from one to five percent, starting from the Israeli occupation in 1967 up to the present, with the exception of a few years.<sup>18</sup> It is noteworthy that these unemployment rates were even lower than those recorded for the Israeli economy itself, which varied from three to ten percent over the same period.<sup>19</sup> They are also lower than those recorded in Jordan, where the unemployment rate ranged from 3.9 to 18.8 percent during the 1968-91 period, with the exception of the year 1976.<sup>20</sup>

According to current academic criteria, when the unemployment rate is around five percent it is in line with full employment. This would suggest that with the exception of a few years, the OPT have been in a state of full employment since the Israeli occupation of 1967. However, an examination of the actual state of the Palestinian economy under Israeli occupation categorically negates full employment. Field studies conducted on the Palestinian economy -- chiefly the industrial sector -- indicate that it has not worked to its full productive capacity. Partial operation is one of the main features of this economy.<sup>21</sup> Accordingly, the Israeli statistics on the level of unemployment in the OPT in the current theoretical sense do not reflect the real level of unemployment there. In addition, they do not take into account the fact that about 40 percent of the Palestinian labor force were employed in the Israeli labor market but have at times been prevented from working there. Therefore, the real picture of the unemployment level in the OPT cannot be obtained by adopting such a narrow concept. Rather than limiting the analysis to open unemployment, one must examine other types of unemployment in the OPT.

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<sup>18</sup> Abdelfattah Abu-Shokor, *al Betalah fe al Aradi al Felestinia al Mohtallah 1968 - 1991*, The Economic and Social Commission for Western Asia, Amman 1992, p. 13

<sup>19</sup> CBS, *Statistical Abstract of Israel*, various volumes.

<sup>20</sup> Dr. Mohamed Saad Dmarah et al, *Al Betalah fe al Ordon, Abaad wa Tawaqaot*, the Centre of International Studies, The Royal Scientific Society Amman, 1992, p. 23.

<sup>21</sup> Abdelfattah Abu-Shokor et al., *Al Tassnee fe al Defah Al Gharbeya*. The Documentation, Manuscripts and Publication Centre, Al Najah National University, Nablus 1991, p.146.



## **TYPES OF UNEMPLOYMENT IN THE OPT**

There are several types of unemployment in the OPT apart from open unemployment. These can be summarized as follows:

### **Discouraged Workers**

As already noted, the international definition of unemployment applies to a working-age individual without work who is earnestly seeking a job. However, this definition does not apply to those who have been looking for work for a long time, have failed to find suitable work and are so frustrated that they have given up job-seeking. They are considered to be outside the workforce and are thus not included in the official statistics. Taking job-seeking as a parameter for considering a worker unemployed cannot be applied to the OPT because of the absence of labor offices or adequate data on available work prospects. Besides, the seasonal nature of many types of work and the large number of self-employed workers make it all the more difficult to apply the internationally recognized definition. A study has put the number of discouraged workers in the OPT at 3.5 percent of the total labor force.<sup>22</sup>

According to a 1993 FAFO study, the majority of discouraged workers are young educated males who have not found suitable job opportunities, have withdrawn from the labor market and have thus given up job-seeking.<sup>23</sup> Most of them come from rich families in the OPT. However, the educated who come from poor families and have not found employment compatible with their qualifications are forced to accept whatever jobs are available. Though overqualified for the job, they have no other alternative. A large number of this group is engaged in the Israeli labor market, especially in building and related activities which do not require their qualifications.<sup>24</sup> The above-mentioned study shows that 27 percent of the discouraged workers in the West Bank are women. In the Gaza Strip they represent 7.32 percent.<sup>25</sup> It is generally believed that the women classified as "discouraged workers" are educated but have failed to find suitable work, have given up searching for a job and have withdrawn from the labor market.

### **Partial Unemployment or Underutilization of Labor**

Partial unemployment or labor underutilization is one of the most prevalent types of unemployment in the OPT. Indeed, it has become one of the major features of the Palestinian economy. It may be divided in two types: "visible partial unemployment" and "invisible partial unemployment." The first type applies to persons who work less than the normal labor hours per week (that is, less than 40 hours), whereas "invisible" partial unemployment means abuse of labor, as manifest in workers' low productivity or employing a worker in a job that has nothing to do with his/her specialization, thus making very little use of or even wasting

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<sup>22</sup> Omar Abdel Raziq, *Al Bettalah fi al Aradi al Feleseniya*, op. cit.

<sup>23</sup> Geir Ovensen, *Responding to Change, Trends in Palestinian Household economy*, FAFO report 166, Norway 1994, p. 30.

<sup>24</sup> The study I have conducted on the social and economic conditions of the West Bank and the Gaza Strip workers in Israel has shown that about 6.4 % of them have university degrees or intermediate institute diplomas. Abdelfattah Abu-Shokor, *al Awdaa al Iqtisadeya wal Ijtemaia li Amal al Defah al Gharbeya wa Qittaa Gaza fi Israel*, publications of the Documentation, Manuscripts and Publication Center op. cit. p. 53.

<sup>25</sup> Ovensen, *Responding to Change*, op. cit., p. 153.

his/her qualifications. It is difficult to assess this type of unemployment, though it is prevalent in the OPT. As for the "visible" variety of partial unemployment, it is also prevalent in the OPT. Laborers working less than 40 hours per week represent about 62.2 percent of the labor force according to a field study.<sup>26</sup> The FAFO study puts it at 40 percent of the labor force in the West Bank and 30 percent of the labor force in the Gaza Strip.<sup>27</sup> According to official Israeli statistics, visible partial unemployment in 1992 reached about ten percent of the total labor force in the West Bank and about nine percent of the workforce in the Gaza Strip.<sup>28</sup> Despite the discrepancy in the estimates of the level of visible partial unemployment, they all point to the gravity of the problem in the OPT.

### **Disguised Unemployment**

It is hard to measure disguised unemployment statistically in the OPT, though, it is widespread. It is most obvious in the Palestinian rural areas and the informal sector. Street peddlers spreading their goods out on pavements or going from door to door are common in Palestinian towns. Both men and women are engaged in this type of activity. More often than not the informal sector thrives in times of worsening economic conditions. Many household members, both men and women, are involved in the informal sector. Disguised unemployment has not developed in the Palestinian public sector, mostly because the latter is still small, absorbing only 11.9 percent of the Palestinian labor force in the West Bank and 12.4 percent in the Gaza Strip in 1992.<sup>29</sup> Some observers fear that disguised unemployment might develop in the Palestinian public sector under self-rule, as it can easily employ people.

### **CHARACTERISTICS OF THE UNEMPLOYED**

The Israeli statistics view unemployed Palestinians in light of the 1992 narrow concept of unemployment. They indicate that 38.2 percent of the unemployed in the West Bank worked the previous year, while 61.8 percent did not, which makes them new entrants into the labor market. In Gaza the rate reached 12.8 percent and 87.2 percent, respectively.<sup>30</sup> The figures show that most of those out of work are new entrants to the labor market. This state of affairs impacted the age composition of unemployed Palestinians. Statistics have shown that most of them are young. In the West Bank 50 percent of the jobless are aged 15-24, while 34.3 percent are aged 25-34. In Gaza the rates were 61.5 percent and 28.2 percent, respectively.<sup>31</sup>

An analysis of the educational level of the jobless in the OPT shows that unemployment is prevalent among the educated. The above-mentioned statistics indicate that 41.2 percent of the jobless in the West Bank have completed 9-12 years of education, and that 19.6 percent have completed 13 years or more. In Gaza the percentages are 46.2 percent and 25.6 percent, respectively.<sup>32</sup> The young age and high educational achievement of the jobless in the OPT have an impact on their social condition. According to available statistics most of them are

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<sup>26</sup> Abdel Raziq, *op. cit.* p. 9.

<sup>27</sup> Ovensen, *op. cit.* p. 192.

<sup>28</sup> The Israeli Statistics Book, No. 44, 1993 p. 775.

<sup>29</sup> CBS, Statistical Abstract of Israel 1994, p. 808.

<sup>30</sup> CBS, Judaea, Samaria and Gaza Area Statistics, Vol. XXII 1993, Jerusalem 1993, p. 122.

<sup>31</sup> *Op. cit.*

<sup>32</sup> *Ibid.*

single. In the West Bank single jobless individuals represent 62.7 percent of the total, while in Gaza they correspond to 66.7 percent.<sup>33</sup>

The characteristics of the jobless tally with the findings of field studies conducted by Palestinian researchers. According to the studies, most of the jobless are young new entrants with high educational standards.<sup>34</sup> In the West Bank 61 percent of the jobless are found in rural areas, while urban areas account for 37.8 of them. By contrast, in the Gaza Strip they are concentrated mainly in urban areas -- 54.4 percent, as compared to 45.3 percent in the refugee camps.<sup>35</sup>

## **CAUSES OF UNEMPLOYMENT**

Unemployment in all its forms is a chronic problem in the OPT, and the Israeli occupation has been deepening it. Since 1967 the OPT have not witnessed any real economic development designed to upgrade the Palestinian economy's absorption capacity. Rather, they have witnessed the systematic exploitation of economic and human resources by the Israeli occupation. This state of affairs has weakened the Palestinian economy's absorption capacity by limiting its ability to create new job opportunities for Palestinians so as to cope with the annual growth of the local manpower. The Israeli occupation forces have sought to mitigate the problem and its social consequences by granting Palestinian labor access to the Israeli labor market. Meanwhile, it has also encouraged the external migration of Palestinian labor, which shows to what extent the Palestinian economy is dependent on external labor markets for the employment of its manpower. This was made most obvious when the Arab Gulf states closed their labor markets to Palestinian workers and expelled thousands of them. It also became obvious when Israel imposed a military siege on the OPT and barred the employment of Palestinian workers in the Israeli labor market. A field study conducted in 1991 showed that 64.6 percent of the jobless in the Gaza Strip attributed their idleness to their inability to continue working in Israel. In the West Bank the percentage reached 36.58 percent. Furthermore, the 1990/91 Gulf War resulted in a 19.5 percent increase in the number of unemployed Palestinians in the West Bank, while in Gaza the increase was 14.38 percent.<sup>36</sup> The Palestinian economy's poor absorption capacity -- due to the destruction of its infrastructure and to its marginalization and dependence on the Israeli economy -- has kept these workers jobless.

## **THE LINK BETWEEN UNEMPLOYMENT, POVERTY AND INCOME DISTRIBUTION**

It is needless to underline the strong relation between rampant unemployment and labor underutilization, on the one hand, and the spread of poverty and income inequalities on the other. Most of the jobless or the partially employed generally belong to poor or extremely poor families, while those permanently and regularly employed -- either in the public or the private sector -- often belong to the middle or high-income groups. A study on income

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<sup>33</sup> Ibid.

<sup>34</sup> For further details vide Abu-Shokor, *Al Betalah fi al Ard al Felestinia al Muhtallah 1968 - 1991*, op. cit. vide Abdel Raziq, op. cit.

<sup>35</sup> Ibid (Abu -Shokor) p. 32.

<sup>36</sup> Ibid, p. 38.

distribution and social composition has revealed that 80.5 percent of the jobless in the OPT belong to poor families or households living under the poverty line.<sup>37</sup>

However, it must be noted that not every jobless person is necessarily poor. Nor is it true that every regularly employed person is wealthy. In some cases, unemployed persons do not work because they are looking for a specific job and belong to the middle or high-income groups. This also applies to the educated who belong to rich families and prefer to remain without employment for some time until they find a job suitable to their qualifications. The study found that 5.92 percent of the jobless in the OPT come from wealthy families.<sup>38</sup> On the other hand, many people in the OPT work regularly but have low income and are classified as belonging to low-income groups. They represent 66.7 percent of the total labor force in the OPT.<sup>39</sup> To be sure, overcoming unemployment and providing productive jobs and adequate income to the jobless is one of the most efficient means of mitigating poverty and income inequality in the OPT.

### **PRESENT CONDITION OF UNEMPLOYMENT IN THE OPT**

The recent Israeli measures in the OPT have had a direct impact on the level of unemployment among Palestinians. Since March 1993, Israel has resorted to repeated closure of the OPT and the imposition of an economic blockade on them coupled with heavy restrictions on Palestinian workers' employment in the Israeli labor market. The closure and the blockade of the OPT at the end of March 1993 prevented 115,600 Palestinian laborers from working in the Israeli labor market. Assuming they will not find alternative jobs in the domestic labor market -- due to the economy's poor absorption capacity -- they will most probably remain without work. Taking into account the estimated 14,100 idle workers according to the 1992 narrow concept of unemployment, the total number of unemployed persons is expected to reach 129,700 as a result of the Israeli measures. In other words, the unemployment rate will reach 38.9 percent of the 333,400 workers in the OPT in 1992.<sup>40</sup> However, after the closure of the OPT in March 1993, Israel allowed access to about 60,000 workers. It also carried out a public utilities project in the OPT which absorbed about 15,000 workers. Seen in this light, the number of persons out of work is expected to drop to 54,700 persons, thereby reducing unemployment rates from 38.9 percent to 16.4 percent. According to the 1993 Israeli statistics, Israel employed 83,900 Palestinians in its labor market. Thus, by the end of 1993 the number of persons without work dropped to 30,900, assuming that Israel proceeds with the project which absorbed about 15,000 workers. This means that at the end of 1993 the unemployment level is expected to reach 9.13 percent, a figure higher than that published by the Israeli Statistics Bureau, which estimated the unemployment rate in the OPT in 1993 to be 6.9 percent.

Following the Hebron Mosque massacre by Israeli settler Baruch Goldstein on 25 February 1994, Israel once again imposed a siege on the OPT and prevented Palestinians from working in Israel. The embargo continued throughout the period after the Afoula and El-Khodeira

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<sup>37</sup> Abdelfattah Abu-Shokor, *al Tarkiba al Ijtemaeya wa Namat Tawzee al Dakhl fe al Defah Al Gharbeya wa Qittaa Gaza*, al Najah National University, Nablus, 1987, p. 21.

<sup>38</sup> Ibid.

<sup>39</sup> Ibid.

<sup>40</sup> CBS, *Statistical Abstract of Israel 1994*, op. cit., p. 808.

operations, which were in retaliation for the Hebron massacre. Israel announced that it would replace Palestinian workers with foreigners from Eastern Europe and South Asia. In this case, the number of the jobless is expected to rise to 114,700 workers. This means that the unemployment rate would rise to 33.9 percent by the end of April 1994. After the conclusion of the self-rule agreement in Cairo on 4 May 1994, Israel allowed about 25,000 Palestinian laborers to work in the Israeli labor market. Also, it proceeded with the public utilities project. This measure is expected to reduce the number of the jobless from 114,700 to 89,700. In other words, the unemployment rate would drop to 26.5 percent.

Subsequently, with the wave of suicidal operations by Palestinians inside Israel and after the Beit Leed operation at the end of January 1995, Palestinians were completely banned from work inside Israel, and the public utilities program was halted. Consequently, the number of jobless Palestinians in the OPT will be as follows:

- a) 22,600 unemployed workers in 1993 according to the Israeli statistics. It is assumed that they will remain without work in view of the deteriorating economic conditions.
- b) 83,800 workers employed in the Israeli labor market in 1993. They are not expected to find alternative job opportunities in the Palestinian domestic market because of its poor absorption capacity and the suspension of the public utilities program.
- c) 12,000 workers representing the annual labor force growth rate. They are expected to join the jobless because of the deteriorating economic conditions in the OPT as a result of the closure and the blockade.

Thus, the total number of unemployed Palestinian workers will come to 118,400. This means that by the end of April 1995 the unemployment rate in the OPT will have reached 34 percent of the Palestinian labor force, based on the assumption that the latter will have reached about 350,000 workers by the beginning of 1995. In this respect, it should be noted that this unemployment rate is the lowest estimate in the OPT, as it discards the negative impact of the economic siege imposed on the Palestinian economy. It involves a decrease in the production of factories that will lead to the lay-off of many workers. The blockade will leave many transport workers without work because they will not be given entry permits to Israel. Taking all of these factors into consideration, one may conclude that the current unemployment rate in the OPT is much higher than previous rates. If one goes beyond the narrow concept of unemployment and considers partial and disguised unemployment as well as discouraged workers, the unemployment rate in the OPT will rise to more than 50 percent of the Palestinian labor force.

In conclusion, it is worth noting that the self-rule agreement signed in Cairo on 4 May 1994 will not affect the above-mentioned unemployment rates, assuming that the returnees are absorbed in Palestinian self-rule institutions. However, the Palestinian self-rule authority's labor absorption capacity is expected to be low in the early stages.

## **EMPLOYMENT POLICY IN THE OPT**

The Israeli occupation authority has never developed a clear employment policy in the OPT since 1967. It left employment to market mechanisms while it set out to ruin the Palestinian economy's infrastructure and weaken its ability to employ Palestinian labor. This state of affairs drove thousands of Palestinian workers to the Israeli labor market. In parallel, Israel

kept the door of external migration open to qualified Palestinians. Thousands of Palestinian workers left and many went to oil-rich Arab states.

The 1990/91 Gulf War and the closure of the OPT at the end of March 1993 put an end to Israel's employment policy. The labor markets of the oil-rich Arab states were closed to Palestinians in the aftermath of the war, leaving thousands of Palestinian laborers without work. On the other hand, the closure of the OPT put an end to the employment of Palestinians in the Israeli labor market. Faced with rampant unemployment in the OPT, Israel had to mitigate the problem for its own security and political reasons. It thus re-employed Palestinians in the Israeli labor market and adopted a new employment policy which had a limited effect. It permitted temporary employment of Palestinians within the framework of the public utilities program.

However, after the conclusion of the Cairo agreement on the transfer of power within the framework of limited self-rule on 4 May 1994, the Palestinian authority took charge of the employment policy in the land under its administration. Though it has not yet formulated a clear employment policy, we believe that it should focus on the demand aspect of the problem.

## **CONCLUSION AND RECOMMENDATIONS**

Unemployment is the biggest problem facing the OPT and the Palestinian National Authority. It has been a chronic problem because of the policy pursued by Israeli occupation authorities, which has persistently weakened the Palestinian economy's infrastructure and its ability to absorb Palestinian manpower. The high fertility rate and low mortality rate in the OPT did not create the unemployment problem because the high external migration rate -- mainly labor migration -- worked in the opposite direction, and the Palestinian labor supply did not increase.

Accordingly, the severe unemployment problem in the OPT is due to poor employment growth rates, that is, weak domestic demand for Palestinian manpower. There is a missing link between the economic growth rate and increasing employment in the OPT because the source of economic growth is external and took place in sectors which did not have a multiplier effect on other sectors. The construction sector was the source of economic growth and most building inputs were imported, particularly from Israel.

An assessment of the scope of the unemployment problem in the OPT should not be based on a narrow concept of unemployment applying to working age persons who are seriously searching for job opportunities, because there is widescale labor underutilization, discouraged workers and disguised unemployment. These types of unemployment are salient features of the economy of the OPT. The repeated closure of the OPT, the imposition of an economic blockade on it and the prevention of Palestinians from working in the Israeli labor market -- which had come to absorb 40 percent of Palestinian labor -- have further aggravated unemployment in its narrow sense. As a result, unemployment was estimated at about 34 percent by the end of April 1995. If one adds the other types of unemployment, the figure will shoot up.

The implementation of the Palestinian self-rule agreement started at the time of Israel's blockade of the Palestinian economy, so it did not mitigate the unemployment problem. The Palestinian institutions which were set up absorbed those returning with the Palestinian Authority itself. Additionally, the continued blockade has had a negative impact on investment prospects, which impedes the creation of additional job opportunities by the private sector.

The unemployed in the OPT are mainly new entrants, highly educated and mostly young and unmarried. The study has established a strong link between unemployment and poverty in the OPT. It found that 80.5 percent of the unemployed belonged to poor families or those living under the poverty line. Overcoming unemployment is an effective means of overcoming poverty and income inequality in the OPT. As for the employment policy in the OPT, it is clear that in the beginning Israeli occupation authorities did not try to raise the Palestinian economy's labor absorption capacity and endeavored to absorb Palestinian manpower in the Israeli labor market itself to serve the Israeli economy. It also encouraged the migration of skilled Palestinian labor, especially to oil-rich Arab states.

The closure of the labor markets of Israel and the oil-rich Arab states to Palestinian manpower made it imperative for the Palestinian National Authority to pursue an employment policy designed to raise the Palestinian economy's labor absorption capacity, that is, increase the growth rate of domestic demand for Palestinian labor. As this is bound to take some time and can be achieved only in the medium and long terms -- by rebuilding the Palestinian economy and overcoming the structural imbalances caused by Israeli occupation -- the Palestinian Authority must adopt a short-term employment policy based on the following:

- 1) Keeping the Israeli labor market open to Palestinian manpower during the transitional period so as to give the Palestinian economy a chance to reorganize itself and raise its absorption capacity. The absorption of Palestinian workers employed in the Israeli market -- amounting to about 40 percent of the total Palestinian labor force -- cannot be realized immediately;
- 2) Implementing temporary general employment programs for the speedy alleviation of the problem;
- 3) Paying special attention to labor-intensive small-scale industries and giving them preferential treatment in order to promote them, as they are most capable of creating work opportunities. It is worth noting that most economic enterprises in the OPT are small-scale and family-owned;
- 4) Setting up unemployment and social development funds like those in Egypt, in order to help the jobless, create job opportunities for the highly-educated youth and implement labor-intensive projects. A rehabilitation program for detainees should also be considered.

However, in the medium and long terms the Palestinian National Authority's employment policy should aim at implementing the following measures:

- a) Rebuilding the Palestinian infrastructure through programs aimed at the reconstruction of the Palestinian economy;

- b) Reconsidering current education policies so as to bring education in line with the needs of the local market through the development of education and vocational training - especially technical training -- and boost overall economic development;
- c) Encouraging the private sector to invest in labor-intensive productive projects by offering financial incentives;
- d) Removing obstacles and restrictions on foreign investment so as to attract it to the Palestinian economy.



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